

Courtesy: House Energy and Commerce Committee
Reforming Medicaid to Ensure Coverage
for Our Nation's Most Needy

For those who can't pay for their medical care, Medicaid is health insurance to help them pay their medical bills. It is a unique federal state partnership administered by the states. Unfortunately, the program has grown so expansive that it is unsustainable in its current form. Between 2002 and 2005, 38 states reduced eligibility; and 34 states reduced benefits. The nation's governors understand the grim future of Medicaid and have told Congress that Medicaid will begin to bankrupt the states unless some reasonable, common-sense reforms are enacted. The reforms included in the Deficit Reduction Act result in over \$11.8 billion in savings and were offered by the bipartisan National Governor's Association (NGA) earlier this year. The Deficit Reduction Act will help fix some of the flaws in the current Medicaid program to ensure that it can continue to be the safety net that protects our nation's most vulnerable citizens.

Are We Cutting Medicaid?

- No, in fact Medicaid spending will still grow by 7 percent (\$66 billion) under the Deficit Reduction Act (without reforms the program would grow by a projected 7.3 percent).

Stopping Overpayment for Medicine

- Medicaid overpays for prescription drugs, in 2002 the Department of Health and Human Services Inspector General found that Medicaid payments for medicine exceeded pharmacists' true costs by \$1.5 billion.
- The Deficit Reduction Act would change Medicaid payment rates for medicines so they are based more on the average of actual sales prices of prescription drugs.
- The House bill would allow the Secretary to delay the change in Medicaid payments for pharmacies if the Government Accountability Office concludes the average prices paid by pharmacies are above the new Medicaid reimbursement rates.
- Expands the use of Medicaid Transformation Grants provided by the Department of Health and Human Services to encourage the use of generic drugs and reduce Medicaid drug spending.

Cracking Down on Asset Transfers

- Many middle and upper class individuals utilize estate planners in order to shelter assets and to qualify for Medicaid funded long term care services.
- The Deficit Reduction Act restricts the ability of “elder law” attorneys to qualify wealthy clients for taxpayer-paid welfare by beginning a penalty period on the date the individual seeks eligibility for Medicaid rather than at the time they transfer the asset.

Cost Sharing

- Current law prohibits co-payments for some populations and restricts co-payments when allowed to \$3, preventing Medicaid from utilizing market forces and personal responsibility to improve health care delivery. Co-pays have not changed in 20 years and are not enforceable.
- Those who are poor enough to qualify for Medicaid can receive some of the best short-term health care in the world for nothing simply by going to hospital emergency rooms for routine health care.
- The Deficit Reduction Act gives patients a stake in both their health care choices and the cost of their care by allowing states to enforce the nominal co-payment of \$3 to ensure that beneficiaries realize that there is an actual cost associated with medical care. The co-pay would also be indexed to increase in the future at the rate of medical inflation.
- The nation’s most needy will not be responsible for co-pays.

State Flexibility on Benefit Package

- Governors are banned from tailoring Medicaid benefits to meet the actual needs of their people. The Medicaid program is viewed as the health care program for the poor, but it neither serves all low-income individuals, nor are all of the beneficiaries below the federal poverty level. Medicaid’s populations are very diverse, ranging from relatively healthy families and children to the frail elderly, to individuals with serious physical and developmental disabilities. The types of services and supports needed by these populations are quite different, yet the Medicaid benefits package remains “one-size-fits-all.”
- The Deficit Reduction Act allows States to modify their Medicaid benefits package so that it is equivalent to other health programs in the state with the largest enrollment.